



Audit of the Department's Reporting of Aircraft and Aircraft Parts

The Department of State's (the Department) Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for formulating and implementing international counternarcotics policies. INL uses aircraft to help eradicate and stop the flow of illegal drugs, and it operates the second largest air fleet among U.S. civilian agencies. At INL's request, the Office of Inspector General (OIG) began an audit at INL's Office of Aviation at Patrick Air Force Base in Florida. During this work, OIG learned that the Department might not have reported certain aircraft and parts inventory on its annual financial statements.

Because of the magnitude of the unreported assets and to assist the Department, OIG narrowed its work to determine whether INL had appropriate controls to track and report its aircraft and aircraft parts. Additionally, at the request of Leonard G. Birnbaum and Company (LGB), the certified public accountants responsible for auditing the Department's financial statements, OIG's audit work in Colombia included specific steps to determine the accuracy of the Department's reporting on aircraft and parts.

OIG found that the Department underreported the cost, value, and number of its aircraft and aircraft parts. In fact, the Department's FY 2004 financial statements underreported by \$162 million the cost of its aircraft and aircraft parts. Additionally, the Department did not include ownership of 91 aircraft in its March 2005 report to the General Services Administration. During OIG's audit work, the Department could not accurately report the number of aircraft it owned because it had ineffective controls to track and report its air fleet. As a result, government managers, Congress, and the public did not have accurate and complete information regarding the Department's air fleet.

OIG also found that the Department's listing of aircraft parts provided to LGB was inaccurate. Using the information provided by LGB, OIG tested 108 sample items in Colombia listed at \$1,282,208 to determine the accuracy of the aircraft parts inventory. OIG found that the inventory underreported 14 items listed at \$30,000 and overreported seven items listed at \$527,000. However, OIG found that the contractor responsible for maintaining the aircraft parts inventory properly accounted for these items. OIG was unable to determine why the Department had not provided the correct inventory to LGB.

The Department agreed with OIG's recommendations to improve the accountability and reporting of aircraft and aircraft parts. As a result of OIG's work, INL has initiated a review of its aviation programs, structure, and responsibilities with a view toward more centralized management.

The fieldwork for OIG Report AUD/IP-06-35 was conducted by the Office of Audits from August 2005 to January 2006 at Patrick Air Force Base in Florida and various sites in Colombia. This is an unclassified summary of a full report, which may receive limited official distribution.

Office of Inspector General

The Office of Inspector General conducts independent audits, inspections, and investigations to promote effective management, accountability, and positive change in the Department of State, the Broadcasting Board of Governors, and the foreign affairs community.